

# Spending patterns in Canada and the U.S.

Raj K. Chawla

In addition to sharing a border, Canada and the United States share many demographic and economic characteristics. For instance, both have aging populations, the median age in 2005 reaching 38.0 in Canada and 35.9 in the U.S. In that year, two-thirds of each country's working-age population was in the labour force, and unemployment was low at 6.8% in Canada and 5.1% in the U.S. Persons 65 and over accounted for 13.1% of the population in Canada compared with 12.3% in the U.S. And in both countries, the majority lived in conventional two-spouse households.

While the business cycle and economic integration by way of NAFTA have varied to some degree in Canada and the U.S., both countries have moved from a high-interest environment in the early 1980s to a low-interest one in the 2000s. At the same time, consumer spending rose as a percentage of economic activity (from 52.8% to 58.9% in Canada and from 61.4% to 70.0% in the U.S.), causing the personal savings rate to fall.<sup>1</sup>

On average, income and spending change in predictable patterns as people age. Young people earn less and borrow to pay for houses and possessions. Through the middle years, work experience brings a rise in income, which along with increased family size spurs spending. Income tends to peak for workers in their 50s and spending declines as mortgages are paid off and the nest empties, leaving greater potential for savings. Retirement signals a reduction in income but also in spending as employment-related expenses disappear. While these general patterns hold in most advanced economies, they can vary from country to country and change over time. This article compares household spending in Canada and the U.S. between the early 1980s and 2003.<sup>2</sup>

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*Raj K. Chawla is with the Labour and Household Surveys Analysis Division. He can be reached at 613-951-6901 or [perspectives@statcan.ca](mailto:perspectives@statcan.ca).*

Households are grouped by age of the reference person in order to compare spending in peak income years and after retirement. All money figures are in 2003 Canadian dollars (see *Data sources and definitions*). Seven categories of expenditure are used: food, housing, clothing, transportation, health, recreation, and 'other.' Since the means are based on two cross-sectional sources, an increase over time for a given component implies that households spent more in 2003 than their counterparts spent in the early 1980s.

## Little difference in the demographics of households in Canada and the U.S.

Between the early 1980s and 2003, Canadian households aged slightly more than their U.S. counterparts. In Canada, the median age of the reference person rose from 42.9 in 1982 to 47.9 in 2003, while in the U.S. it went from 43.5 to 46.9 between 1984 and 2003 (Table 1). In 2003, the proportions of households with a reference person 75 and over were fairly close—9.3% in Canada, 9.9% in the U.S. On the other hand, the proportion of young households (under 35) was higher in the U.S. by 4.3 percentage points.

The average Canadian household was a little larger than its American counterpart in the early 1980s, but by 2003 it was the same size—2.5 persons. In both countries, household size peaked in the 35-to-44 age group (3.2) and then dropped as the age of the reference person increased, reaching 1.5 for elderly households (75 and over).

The rate of homeownership was similar in both countries for households in the 15-to-54 age range, but the gap widened for older groups in favour of the U.S.—from 6 or 7 percentage points for those in the 55-to-64 group to 13 or 14 points for the 75-and-over group in 2003. The rate of homeownership has increased in both countries over the last 25 years, leaving the overall gap virtually unchanged. Nonetheless, downsizing with advancing age was evident in both countries as the rate of homeownership dipped after age 65.

**Table 1 Demographics of households**

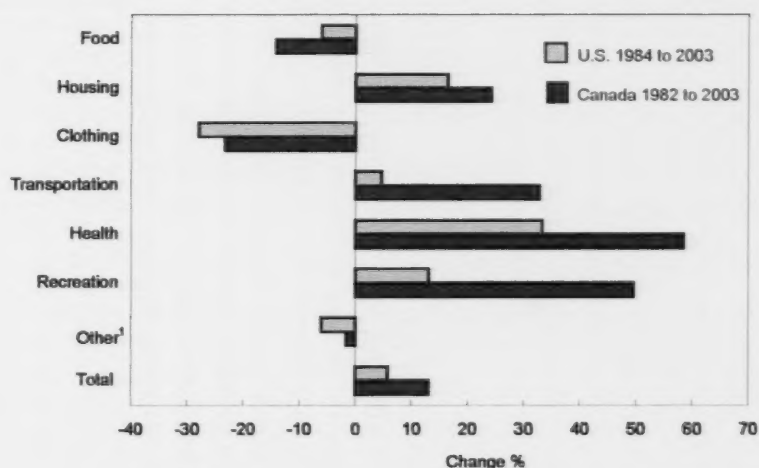
	Households				Average household size				Own home			
	Canada		United States		Canada		United States		Canada		United States	
	1982	2003	1984	2003	1982	2003	1984	2003	1982	2003	1984	2003
	'000				Persons				%			
<b>Total</b>	<b>8,410</b>	<b>12,033</b>	<b>90,223</b>	<b>115,356</b>	<b>2.8</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>60.7</b>	<b>65.8</b>	<b>62.0</b>	<b>67.0</b>
<b>Reference person</b>	%				Persons				%			
Under 25	6.5	3.5	9.8	7.3	2.0	2.1	1.8	1.8	12.1	16.4	12.0	15.0
25 to 34	25.5	16.6	22.2	17.1	2.8	2.6	2.8	2.9	46.7	49.0	48.0	48.0
35 to 44	20.4	22.8	19.0	21.2	3.7	3.2	3.4	3.2	71.0	68.5	69.0	69.0
45 to 54	15.8	22.2	14.4	20.1	3.2	2.8	3.1	2.6	75.8	72.4	77.0	76.0
55 to 64	14.3	15.5	14.8	14.4	2.4	2.2	2.5	2.1	72.4	75.9	80.0	82.0
65 to 74	11.2	10.1	11.9	10.0	1.8	1.8	1.9	1.9	68.3	75.7	77.0	83.0
75 and over	6.3	9.3	7.9	9.9	1.5	1.5	1.6	1.5	56.7	64.0	69.0	78.0
<b>Median age</b>	Years											
	42.9	47.9	43.5	46.9	...	...	...	...	...	...	...	...

Sources: Statistics Canada, Family Expenditure Survey and Survey of Household Spending; U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

## Housing tops the expenditure list

In both the early 1980s and 2003, households in both countries allocated one-third of their spending dollar to housing and another one-fifth to transportation.<sup>3</sup> The third principal component was food, which accounted for another 15 to 21 cents. These three components made up 71 cents of each spending dollar in the early 1980s compared with around 75 cents in 2003 (Table 2). In both periods, households spent 17 cents per dollar on clothing, recreation and entertainment, and health. Overall spending patterns did not change drastically—Canadian households spent only 9 cents of their consumer dollar differently in 2003 than in the 1980s, their U.S. counterparts just 5 cents. However, with Canadian households spending relatively more, patterns in the two countries had become more similar by 2003.

**Chart A Consumer spending on health showed the greatest increase in both countries**



<sup>1</sup> Personal care, reading materials, education, tobacco products and alcoholic beverages, gifts and contributions, and miscellaneous.

Sources: Statistics Canada, Family Expenditure Survey and Survey of Household Spending; U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

**Table 2 Consumer expenditure of households**

	Total	Age of reference person						
		Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 and over
<b>Canada</b>								
<b>1982</b>	<b>37,700</b>	<b>32,200</b>	<b>39,600</b>	<b>47,100</b>	<b>46,600</b>	<b>34,200</b>	<b>23,000</b>	<b>16,700</b>
				CAN\$ 2003				
				%				
Housing	33.9	33.1	36.8	33.9	30.2	30.7	35.9	42.3
Transportation	16.2	17.6	15.3	15.1	17.2	18.7	16.6	11.7
Food	20.5	17.2	18.8	20.8	21.0	21.6	23.0	24.7
Clothing	8.2	8.5	7.8	8.8	9.1	7.7	6.6	6.1
Recreation	6.2	7.0	6.3	6.9	6.3	5.3	4.8	3.3
Health	2.6	2.0	2.3	2.5	2.8	3.0	2.8	3.1
Other <sup>1</sup>	12.5	14.4	12.7	12.0	13.4	13.0	10.4	8.8
<b>2003</b>	<b>42,700</b>	<b>32,200</b>	<b>42,600</b>	<b>49,300</b>	<b>51,600</b>	<b>43,300</b>	<b>30,200</b>	<b>21,700</b>
				CAN\$ 2003				
				%				
Housing	37.3	34.3	40.2	39.2	35.4	34.0	35.6	43.5
Transportation	19.0	17.8	18.4	18.0	19.7	21.6	19.4	13.6
Food	15.5	14.9	14.5	15.3	15.1	15.4	17.7	18.7
Clothing	5.6	6.0	5.6	5.7	6.0	5.6	4.9	3.8
Recreation	8.2	8.8	8.9	8.6	8.1	7.9	7.2	5.1
Health	3.6	2.3	2.6	3.0	3.5	4.3	5.5	6.8
Other <sup>1</sup>	10.9	16.0	9.8	10.2	12.2	11.1	9.7	8.5
<b>United States</b>								
<b>1984</b>	<b>41,500</b>	<b>26,900</b>	<b>42,700</b>	<b>52,800</b>	<b>53,000</b>	<b>43,000</b>	<b>31,000</b>	<b>21,600</b>
				CAN\$ 2003				
				%				
Housing	34.5	29.8	36.0	35.6	32.4	33.5	33.9	39.7
Transportation	22.2	26.4	23.0	20.8	24.0	22.4	20.7	14.0
Food	17.0	16.6	15.7	17.5	17.5	17.3	17.8	17.2
Clothing	6.8	7.5	6.9	7.7	6.6	6.7	6.1	4.3
Recreation	5.4	5.2	6.0	6.1	5.1	5.3	4.1	3.7
Health	5.4	3.0	3.7	4.0	5.0	6.2	10.3	14.9
Other <sup>1</sup>	8.7	11.6	8.6	8.5	9.4	8.7	7.0	6.3
<b>2003</b>	<b>43,900</b>	<b>25,600</b>	<b>44,200</b>	<b>50,500</b>	<b>52,600</b>	<b>46,900</b>	<b>37,200</b>	<b>27,600</b>
				CAN\$ 2003				
				%				
Housing	37.9	34.4	40.4	39.5	36.8	36.3	35.9	39.0
Transportation	22.0	22.6	22.7	21.8	23.0	23.0	20.1	16.3
Food	15.1	16.5	14.9	15.4	15.0	14.6	15.2	14.4
Clothing	4.6	5.4	5.2	5.1	4.6	4.1	4.0	2.7
Recreation	5.8	4.6	5.5	6.2	5.7	6.4	6.7	4.1
Health	6.8	2.6	4.1	5.2	5.8	8.1	12.1	17.3
Other <sup>1</sup>	7.7	13.9	7.1	6.7	9.0	7.5	6.1	6.1

1 Personal care, reading materials, education, tobacco products and alcoholic beverages, gifts and contributions, and miscellaneous.  
Sources: Statistics Canada, Family Expenditure Survey and Survey of Household Spending; U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

Households in both Canada and the U.S. spent much more on housing, transportation, health, and recreation in 2003 than in the early 1980s, and less on food and clothing (Chart A). (The relatively larger growth in expenditures on transportation and recreation in Canada was partly due to the addition in 2003 of sub-categories such as leasing and rental of vehicles under

transportation, and packaged tours under recreation.) In contrast, inter-country differences in the rates of decline in expenditures on food and clothing were quite small.

Mean consumer expenditure drops as households move from their peak income years (45 to 54) through their elder years (75 and older) (Chart B). In Canada,

## Data sources and definitions

Data for Canada were taken from the 1982 **Family Expenditure Survey** and the 2003 **Survey of Household Spending**. Even though many improvements in survey content, collection and processing have been introduced over the years, the core classification of total expenditure by components has remained unchanged. To reduce response burden, the 2003 survey included 425 questions compared with 625 in 1982. Both surveys used personal interviews. For more details, see Statistics Canada (1984, 2000, and 2005).

Data for the United States are from the 1984 and 2003 **Consumer Expenditure Survey** (CES), conducted by the U.S. Census Bureau for the Bureau of Labor Statistics. Data are collected in two parts: a diary, or recordkeeping survey completed by participating respondents over two consecutive weeks; and an interview survey, in which expenditures are obtained in five interviews conducted at three-month intervals (BLS, 2005, p.4). The diary captures expenses on small and frequently purchased items, whereas the interview survey collects details that consumers can reasonably recall for a period of three months or longer.

### Total expenditure

Despite differences in collection, the basic framework and broad components of total expenditure in the two countries are fairly comparable. In Canada, it represents the sum of current consumer expenditure, contributions for security, other cash gifts and contributions, and personal income tax. In the U.S., it is the sum of the first three components only. The exclusion of income tax in the U.S. is due to the relatively weaker and nationally non-representative data on pre-tax income and income tax collected by the CES. Given such data limitations, any link between households' incomes and expenditures could not be compared; the focus is strictly on consumer expenditure as used by CES in the U.S.

Expenditures are transaction costs for goods and services consumed during a given reference year, including customs and excise taxes; federal, state (provincial) and local sales taxes; and other duties. Expenditures are out-of-pocket expenses as well as those for which payments were still to be made (for example, items purchased on credit or buy-now-pay-later plans). All expenditures are net of trade-in amounts. Items purchased for business purposes were excluded.

**Current consumer expenditure** comprises expenditures for food, shelter, household operation, furnishings and equipment, clothing, transportation, health, personal care, recreation, reading and printed materials, education, tobacco products and alcoholic beverages, and miscellaneous. For details, see Statistics Canada (1984, 2005) and BLS (2005). For this article, these 13 broad components have been collapsed into 7: housing, transportation, food, clothing, recreation, health, and the rest, primarily because the first 6 account for around 90% of total consumer expenditure (also referred to as total consumer spending). Since expenditures on housing, transportation, and health have risen over time in both Canada and the U.S., changes in these components are further studied in terms of their sub-components.

**Housing** expenditures include mortgage payments on an owner-occupied home, property tax, rent, maintenance, repairs, insurance, other property-related expenses, utilities (fuel, water, and electricity), expenditures on a vacation home, hotel or motel accommodation, household operation, furnishings, and equipment. In the 1982 Family Expenditure Survey, mortgage interest was included under shelter costs, while the principal was included under net changes in assets and debts.

**Transportation** costs cover private and public transportation. The former includes net outlay for vehicle purchases, rental, leases, licences and other charges, operation of owned or leased vehicles, and vehicle insurance.

**Health** expenditure includes all out-of-pocket costs for medical supplies and services and drugs, and premiums for health insurance.

A **household** consists of a person living alone or a group of persons occupying one dwelling unit (also treated as a consumer unit). The number of households, therefore, equals the number of occupied dwellings.

Households are classified by **age of head/reference person** to highlight how spending patterns change with age. Despite some differences, head (the concept used in 1982 in Canada) and reference person are used here synonymously. The husband was treated as the head in families consisting of couples with or without children, as was the parent in lone-parent families, and normally the eldest in all other families. On the other hand, the reference person was chosen by the household member being interviewed as the person mainly responsible for the financial maintenance of the household.

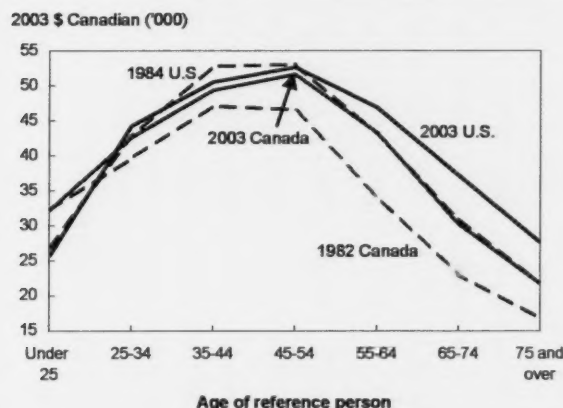
For both Canada and the U.S., data were first converted to 2003 dollars in their respective currencies. While the prices of all goods and services may not have risen at the same pace as the all-items CPI, the use of one conversion factor simplifies the analysis as it keeps the initial ranking of expenditure by components intact (Snider 2005). Then, to facilitate inter-country comparison of mean spending, all U.S. money data were converted into Canadian dollars using the GDP purchasing power parities (PPP) for 1984 and 2003 (see the OECD Web site at [www.oecd.org/std/ppp](http://www.oecd.org/std/ppp)). PPPs eliminate differences in price levels between countries.

A shift in consumer spending by component is quantified by an **index of differentiation**:  $(\sum |P_{C,i} - P_{U,i}|)/2$ , where  $P_{C,i}$  and  $P_{U,i}$  represent cents spent on component  $i$  in Canada and the U.S., and the summation is taken over all components of spending. This index shows the difference in two percentage distributions of spending, or put another way, the percentage points required to make the two distributions similar. This index can also be used to quantify a shift over time.

**Average expenditure by item** is obtained by dividing the aggregate amount for that item by total number of households rather than the number reporting that item. Per capita expenditure is the average expenditure divided by the average household size.



**Chart B Consumer expenditure peaks in middle age**



Sources: Statistics Canada, Family Expenditure Survey and Survey of Household Spending; U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

it fell by 64% in 1982 and 58% in 2003. For households in the U.S., on the other hand, the corresponding drops were 59% in 1984 and 48% in 2003. While the inter-country gap in mean spending narrowed over time—more for households in their peak income years than for the elderly—the spending of elderly households increased more in the U.S. than in Canada.

In both the early 1980s and 2003, the elderly used about 40 cents of their spending dollar for housing. The rest was spent somewhat differently in the two countries—Canadians more on food and clothing, their U.S. counterparts more on transportation and health. Although spending on health increased among the elderly in both countries (from 3 to 7 cents in Canada and from 15 to 17 cents in the U.S.), those in Canada benefited from universal health care as well as provincially subsidized drug plans. Inter-country differences in elderly spending patterns remained almost unchanged—13.2 percentage points in 2003 compared with 14.5 points in the early 1980s, with differences largely attributable to U.S. spending on transportation, health, and food.

Like elderly households, those in their peak income years spent around one-third of every dollar on housing. The remainder was spent differently in the two

countries, but the differences narrowed over time (from an index of differentiation of 11.2 percentage points in the early 1980s to 7.2 points by 2003), largely because Canadian households increased their spending on housing, transportation, and health.

### Expenditure on housing

In 2003, 67% of American and 66% of Canadian households owned a home, with 30 to 43 cents of their spending dollar going toward shelter costs, household operation, and furnishings and equipment. Housing expenditures reached their peak in the 35-to-44 age group, whereas pre-tax income and overall consumer expenditure peaked in the 45-to-54 group. Between the early 1980s and 2003, mean spending on housing rose from \$12,800 to \$15,900 for Canadians and from \$14,300 to \$16,700 for Americans (Table 3).

In both countries, shelter alone accounted for 70% to 72% of total housing costs; the rest was attributed to household operation, furnishings and equipment. Regular mortgage payments were the major component for households in the 25-to-54 group. For elderly households, on the other hand, property taxes and maintenance and repairs accounted for most of the spending on owned quarters. The elderly, most of whom live in mortgage-free homes, spent about half the amount of those in their peak income years.

Households with a reference person under 25, who were mostly renters in both countries, spent the largest proportion on rent—45 cents of their housing dollar in 2003 in Canada and 51 cents in the U.S. Since homeownership rises with age until main income earners reach their mid-60s, rent expenditures fall in inverse proportion. The proportion spent on rent rises in later years as some of the elderly move to rental accommodation. This appears to be more prevalent in Canada, while more elderly Americans continue to live in owned homes.

### Canadians spend more on public transportation

Like housing, the rate of vehicle ownership was higher in the U.S. than in Canada—88% versus 78% in 2003. While the overall gap widened from the early 1980s, it narrowed for the elderly as their ownership rate rose more in Canada (Table 4). The rate varied by age, attaining its highest value for those in the 45-to-54 age group in the U.S. (92%), but for those in the 55-to-64 group in Canada (83%) in 2003. Irrespective of age,

Table 3 Spending on housing

	Total	Age of reference person						
		Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 and over
<b>Canada</b>								
<b>1982</b>	<b>12,800</b>	<b>10,700</b>	<b>14,600</b>	<b>15,900</b>	<b>14,100</b>	<b>10,500</b>	<b>8,300</b>	<b>7,100</b>
				CAN\$ 2003				
				%				
Shelter	68.6	67.5	68.2	68.6	67.6	68.2	71.1	74.6
Owned	32.3	9.8	32.4	39.6	34.7	30.1	26.6	20.7
Mortgage	15.9	6.0	21.3	22.9	14.3	6.9	2.6	0.7
Property tax	7.8	1.1	5.0	7.9	9.9	11.8	11.3	10.5
Maintenance	8.6	2.7	6.2	8.8	10.5	11.4	12.8	9.6
Rented	18.4	48.0	22.8	11.9	11.2	13.7	20.0	32.2
Other accommodation	3.9	2.1	2.6	3.8	5.9	5.7	4.3	2.9
Utilities	13.9	7.6	10.4	13.3	15.8	18.7	20.1	18.8
Household operation	17.1	15.8	17.4	17.5	16.6	17.4	16.7	16.1
Furnishings/equipment	14.3	16.6	14.4	13.9	15.8	14.4	12.3	9.3
<b>2003</b>	<b>15,900</b>	<b>11,000</b>	<b>17,100</b>	<b>19,300</b>	<b>18,300</b>	<b>14,700</b>	<b>10,800</b>	<b>9,400</b>
				CAN\$ 2003				
				%				
Shelter	71.4	70.3	71.2	71.4	71.6	70.4	71.2	74.4
Owned	39.7	15.1	37.9	44.5	43.4	39.0	33.0	25.7
Mortgage	22.0	9.4	25.5	28.5	24.8	16.6	7.1	2.6
Property tax	8.3	2.3	5.1	7.3	8.4	11.0	14.0	11.9
Maintenance	9.4	3.4	7.3	8.7	10.2	11.4	11.9	11.2
Rented	15.4	45.1	22.1	12.5	11.1	10.9	15.2	27.7
Other accommodation	4.1	2.0	2.5	3.5	5.0	5.9	5.3	3.4
Utilities	12.1	8.0	8.7	10.9	12.0	14.6	17.7	17.5
Household operation	17.5	17.9	16.9	18.1	17.0	17.7	18.1	17.7
Furnishings/equipment	11.1	11.8	11.9	10.5	11.5	11.9	10.8	8.0
<b>United States</b>								
<b>1984</b>	<b>14,300</b>	<b>8,000</b>	<b>15,400</b>	<b>18,800</b>	<b>17,200</b>	<b>14,400</b>	<b>10,500</b>	<b>8,600</b>
				CAN\$ 2003				
				%				
Shelter	70.3	72.1	71.5	71.1	68.6	67.6	70.3	72.1
Owned	30.9	12.3	31.4	36.2	33.6	30.4	25.7	23.4
Mortgage	18.7	9.6	24.2	26.6	20.3	11.4	5.0	2.8
Property tax	6.3	1.0	3.4	5.0	7.0	10.7	10.5	9.8
Maintenance	5.8	1.7	3.7	4.5	6.3	8.4	10.1	10.8
Rented	16.0	43.3	22.5	13.4	9.3	9.4	11.4	19.5
Other accommodation	5.3	5.1	3.2	5.3	6.6	6.6	7.8	3.6
Utilities	18.0	11.3	14.3	16.2	19.2	21.2	25.4	25.6
Household operation	15.8	14.6	16.0	14.7	15.6	15.7	18.1	19.3
Furnishings/equipment	13.9	13.3	12.5	14.1	15.7	16.7	11.6	8.6
<b>2003</b>	<b>16,700</b>	<b>8,800</b>	<b>17,800</b>	<b>20,000</b>	<b>19,400</b>	<b>17,000</b>	<b>13,300</b>	<b>10,800</b>
				CAN\$ 2003				
				%				
Shelter	72.5	74.5	72.9	72.8	73.1	70.6	71.7	72.7
Owned	39.2	10.8	33.6	43.1	44.1	42.1	40.0	31.4
Mortgage	22.0	6.3	23.4	28.2	26.2	20.0	12.5	4.0
Property tax	10.0	3.2	6.3	9.2	10.4	12.9	13.7	15.3
Maintenance	7.2	1.2	3.8	5.7	7.6	9.2	13.8	12.1
Rented	16.2	50.6	26.6	14.4	10.6	8.6	9.7	18.7
Other accommodation	3.3	3.0	1.7	2.6	4.4	4.5	3.9	3.4
Utilities	13.8	10.0	11.0	12.7	13.9	15.4	18.1	19.3
Household operation	16.3	15.1	16.2	16.4	15.4	16.1	17.3	19.7
Furnishings/equipment	11.1	10.4	10.9	10.8	11.5	13.4	11.0	7.6

Sources: Statistics Canada, Family Expenditure Survey and Survey of Household Spending; U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

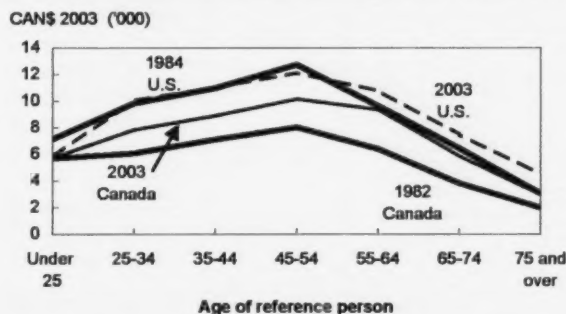
households in Canada spent less on transportation (Chart C). The elderly in both countries sharply increased their spending on private transportation from the early 1980s to 2003, more than offsetting declines in public transportation expenditures.

Canadians spent more than Americans on public transportation and its use became more extensive in retirement (when fewer households owned a vehicle). In their peak income years, Canadian households spent 8 cents of each transportation dollar on public transportation in 2003 while the elderly spent 11 cents; in the U.S., both spent around 5 cents.

### Spending on health has risen in both Canada and the U.S.

Between the early 1980s and 2003, household spending on health increased from \$1,000 to \$1,500 in Canada and from \$2,200 to \$3,000 in the U.S. (Table 5). The gap in out-of-pocket spending on health narrowed slightly but remained large, reflecting differences in the health care systems of each country. Prescription drug expenditures grew by 112% in Canada compared with 62% in the U.S. Nevertheless, Canadian households aged 25 and over continued to

**Chart C Canadians generally spend less on transportation**



Sources: Statistics Canada, Family Expenditure Survey and Survey of Household Spending; U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

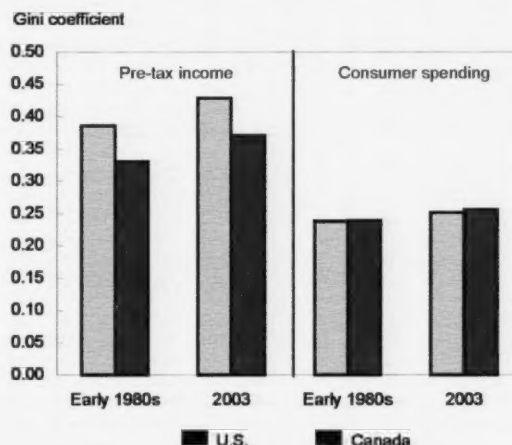
pay less than Americans. Over the same period, health insurance premiums increased from one-third to one-half of health expenditures for an American household.

### Income and spending inequality

In both Canada and the U.S., consumer spending is more equally distributed than pre-tax income, largely because the former is less sensitive to transitory business and economic conditions. Lower spending inequality may also be attributed to basic thresholds households need to maintain for housing, transportation, food, clothing, or health (depending on the number and age of members). Pre-tax income remained more unequally distributed in the U.S. in 2003, whereas the inequality in consumer spending was fairly stable.<sup>4</sup> Using the Gini coefficient as a measure of inequality, spending inequality was about 40% less than income inequality in Canada compared with 46% in the U.S.

Even though pre-tax income inequality rose by about 12% in both countries between the early 1980s and 2003, spending inequality increased only around 7%. One of the key factors was the use of credit for consumption purposes. Households in both countries have liberal access to credit through credit cards and home equity loans. As a result, they had more personal debt liability in 2003 than at the beginning of the 1980s (see note 1).

The decomposition of overall spending inequality shows that expenditure on housing was the major contributor to inequality in both countries, followed by transportation.



Of the total spending inequality in the 1980s, these two components alone accounted for 49% in Canada and 58% in the U.S.; by 2003, their relative shares had increased to 56% and 62% respectively.

**Table 4 Spending on transportation**

	Total	Age of reference person						
		Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 and over
<b>Canada</b>								
<b>1982</b>	<b>6,100</b>	<b>5,700</b>	<b>6,100</b>	<b>7,100</b>	<b>8,000</b>	<b>6,400</b>	<b>3,800</b>	<b>2,000</b>
CAN\$ 2003								
Owned/leased a vehicle	80.0	69.9	85.6	89.4	87.9	79.7	66.5	41.2
Private transportation	90.5	89.8	91.1	91.8	89.9	90.3	89.2	80.2
Purchase	30.3	31.1	28.1	30.9	31.9	30.6	32.1	21.9
Rent/lease <sup>1</sup>	..	..	..	..	..	..	..	..
Operation	48.5	46.9	51.6	49.8	46.2	47.3	44.7	45.4
Insurance	11.7	11.9	11.5	11.1	11.8	12.3	12.3	13.0
Public transportation	9.5	10.2	8.9	8.2	10.1	9.7	10.8	19.8
CAN\$ 2003								
<b>2003</b>	<b>8,100</b>	<b>5,700</b>	<b>7,800</b>	<b>8,900</b>	<b>10,200</b>	<b>9,400</b>	<b>5,900</b>	<b>3,000</b>
%								
Owned/leased a vehicle	78.3	60.8	75.9	82.5	81.4	83.3	78.7	62.8
Private transportation	91.4	87.0	90.5	91.3	91.5	93.0	92.2	89.0
Purchase	34.5	36.4	33.7	34.2	34.0	38.4	32.4	26.4
Rent/lease <sup>1</sup>	7.8	4.2	8.7	8.0	8.5	7.1	7.1	5.0
Operation	35.2	30.9	34.4	35.8	35.1	34.4	37.1	40.4
Insurance	13.9	15.5	13.8	13.3	13.9	13.1	15.6	17.1
Public transportation	8.6	13.0	9.5	8.7	8.5	7.0	7.8	11.0
<b>United States</b>								
CAN\$ 2003								
<b>1984</b>	<b>9,200</b>	<b>7,100</b>	<b>9,800</b>	<b>11,000</b>	<b>12,700</b>	<b>9,600</b>	<b>6,400</b>	<b>3,000</b>
%								
Owned/leased vehicle	85.0	68.0	88.0	91.0	92.0	90.0	81.0	60.0
Private transportation	94.1	96.3	94.9	94.4	94.7	93.1	91.4	86.0
Purchase	42.1	49.3	46.6	39.2	42.7	40.4	37.6	25.8
Rent/lease <sup>1</sup>	3.1	2.4	3.2	3.7	3.0	2.9	2.7	2.9
Operation	40.7	38.5	38.3	43.2	40.9	40.8	41.5	43.3
Insurance	8.1	6.2	6.7	8.3	8.1	9.1	9.6	14.0
Public transportation	5.9	3.7	5.1	5.6	5.3	6.9	8.6	14.0
CAN\$ 2003								
<b>2003</b>	<b>9,600</b>	<b>5,800</b>	<b>10,100</b>	<b>11,000</b>	<b>12,100</b>	<b>10,800</b>	<b>7,500</b>	<b>4,500</b>
%								
Owned/leased a vehicle	88.0	71.0	89.0	91.0	92.0	91.0	87.0	76.0
Private transportation	95.1	96.0	95.8	95.4	95.1	94.3	93.8	93.8
Purchase	48.0	47.9	48.5	47.9	47.4	49.4	46.1	47.5
Rent/lease <sup>1</sup>	5.6	4.7	6.1	5.5	5.6	5.6	5.7	4.7
Operation	29.9	32.6	30.0	30.8	29.8	28.5	30.1	26.2
Insurance	11.6	10.8	11.2	11.2	12.3	10.7	12.0	15.3
Public transportation	4.9	4.0	4.2	4.6	4.9	5.7	6.2	6.2

1 In 1982, data on this component was not collected.

Sources: Statistics Canada, Family Expenditure Survey and Survey of Household Spending; U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

In the U.S., out-of-pocket spending on health increases steadily with age. In Canada, households with a reference person aged 55 to 64 spent the most. The inter-country gap in health spending was largest among the

elderly. However, between the early 1980s and 2003, spending on health by the elderly grew faster in Canada (3 times) than in the U.S. (1.5 times), narrowing the gap somewhat.



**Table 5 Spending on health**

	Total	Age of reference person						
		Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 and over
<b>Canada</b>								
<b>1982</b>	<b>1,000</b>	<b>600</b>	<b>900</b>	<b>1,200</b>	<b>1,300</b>	<b>1,000</b>	<b>600</b>	<b>500</b>
					%			
Direct costs	63.6	58.5	58.4	62.0	63.8	63.7	80.5	79.7
Medical supplies and services	43.7	38.4	40.0	44.2	45.5	40.4	53.5	55.3
Drugs	19.9	20.1	18.4	17.9	18.2	23.3	27.0	24.4
Health insurance premiums	36.4	41.5	41.6	38.0	36.2	36.3	19.5	20.3
<b>2003</b>	<b>1,500</b>	<b>700</b>	<b>1,100</b>	<b>1,500</b>	<b>1,800</b>	<b>1,900</b>	<b>1,700</b>	<b>1,500</b>
					%			
Direct costs	66.7	69.4	60.8	64.4	66.1	65.1	72.1	78.6
Medical supplies and services	40.1	43.1	40.2	42.4	42.5	37.0	34.2	40.6
Drugs	26.6	26.3	20.6	22.0	23.7	28.2	37.9	38.0
Health insurance premiums	33.3	30.5	39.2	35.6	33.9	34.9	27.9	21.4
<b>United States</b>								
<b>1984</b>	<b>2,200</b>	<b>800</b>	<b>1,600</b>	<b>2,100</b>	<b>2,700</b>	<b>2,700</b>	<b>3,200</b>	<b>3,200</b>
					%			
Direct costs	64.7	71.2	66.6	69.1	68.4	63.9	56.0	62.1
Medical supplies and services	48.8	56.1	53.5	55.3	53.9	46.3	37.5	43.1
Drugs	15.9	15.1	13.1	13.7	14.5	17.6	18.5	19.0
Health insurance	35.3	29.1	33.2	31.0	31.6	36.1	44.0	37.9
<b>2003</b>	<b>3,000</b>	<b>700</b>	<b>1,800</b>	<b>2,600</b>	<b>3,100</b>	<b>3,800</b>	<b>4,500</b>	<b>4,800</b>
					%			
Direct costs	48.2	48.7	44.8	47.3	53.0	48.6	45.6	47.3
Medical supplies and services	28.9	30.4	31.1	33.0	34.5	28.1	22.4	22.1
Drugs	19.3	18.3	13.8	14.3	18.5	20.5	23.1	25.2
Health insurance	51.8	51.5	55.2	52.7	47.0	51.4	54.4	52.7

Sources: Statistics Canada, Family Expenditure Survey and Survey of Household Spending; U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

## Summary

Compared with the early 1980s, households in 2003 in both Canada and the United States spent proportionately more on housing, transportation and health, and less on food and clothing. While the market value of homes accelerated over this period, so did the cost of furnishings, rent, household operation, and property taxes. Similarly, vehicle costs were up in 2003. An increase in health expenditures was due to the rising costs of prescribed drugs and other medical services for households in Canada and to rising health insurance premiums in the U.S.

Overall, the spending patterns of households in Canada and the U.S. were more similar in 2003 than in the early 1980s, largely because of changes in the spending patterns of Canadians. For example, Canadian households spent 11% less than Americans on housing in the early 1980s but only 4% less by 2003. Similarly the gap in transportation expenditures narrowed from 34% to 17%. Because of universal health care, households in Canada continued to spend much less on health, although the gap narrowed from 56% in the 1980s to 48% in 2003.

Households in both countries reached their maximum spending in their peak income years, age 45 to 54, after which both income and spending began to slide. Spending patterns were more alike for households in the 45-to-54 group than for those 75 and over. The elderly in both countries improved their shares of total spending, largely because of improved levels of income. More elderly lived in owned homes and drove owned vehicles in the United States, while their counterparts in Canada spent more on public transportation.

Spending patterns evolve over time and are affected by many things, including business cycles and changes in demographics. While economic integration and the ascendance of consumer spending may be eroding differences in spending patterns, distinctive models of health care delivery in Canada and the U.S. dampen the convergence.

#### Perspectives

#### ■ Notes

1 In Canada, the personal savings rate declined from 20.2% in 1982 to 1.6% in 2005, while dropping in the U.S. from 7.5% in 1981 to -0.4% in 2005. Over the same period, households in both countries increased their indebtedness—from 55 cents to \$1.16 per dollar of disposable income for Canadians and from 61 cents to \$1.24 for Americans.

2 Expenditures are generally considered a better long-term measure of economic behaviour since families tend to smooth spending over time by borrowing against future income or by drawing down savings at different points in the life cycle.

3 Using the U.S. definition, expenditure on housing includes the sum of expenditures on shelter, household operation, and furnishings and equipment. Although separate data on these three components are available for both countries, the classification of items varied slightly; for instance, expenditures on telephone services are treated

under utilities in the U.S. and as part of household operations in Canada. Moreover, broader groups of expenditure are used to condense the size of statistical tables presented here.

4 As a check for the robustness of this conclusion based on Gini coefficients, Theil's T-measure of inequality when applied on grouped data for relative shares of spending by age was calculated and showed a similar conclusion.

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